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FISCAL IMPACT STATEMENT

LS 7866
BILL NUMBER: HB 1001

NOTE PREPARED: Mar 31, 2003
BILL AMENDED: Mar 31, 2003

SUBJECT: Budget Bill.

FIRST AUTHOR: Rep. Crawford
FIRST SPONSOR: Rep. R. Meeks

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill makes appropriations for the state. The bill also does the following.

(1) Establishes a school funding formula.
(2) Restricts the balances of certain revolving and rotary funds administered by the Department of Administration.
(3) Excludes certain temporary service from the calculation of pension service credit.
(4) *Gaming Provisions:* The bill prohibits the Lottery Commission from offering keno games. The bill also transfers $33,000,000 of riverboat Wagering Tax revenues to the state General Fund during the current fiscal year. The bill also increases by $35,000,000 the amount of money transferred to the Build Indiana Fund from riverboat wagering revenue deposited in the Property Tax Replacement Fund. The bill reduces by 50% the amount of the supplemental distribution payable during the next two state fiscal years to certain entities that do not receive their base-year amount of riverboat Admissions Taxes.
(5) Makes changes in the sharing of reimbursable costs for the Medicaid programs involving school corporations.
(6) *CHOICE/Medicaid Provisions:* Sets forth reimbursement requirements under the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) program. The bill requires a CHOICE provider to provide the same service to a Medicaid waiver recipient if the service is reimbursable under the Medicaid waiver. The bill authorizes the Office of Medicaid Policy and Planning (OMPP) to apply for a waiver to require specified Medicaid recipients of a county that OMPP determines is feasible and cost effective to enroll in the Medicaid Risk-Based Managed Care program. The bill also requires that pharmacies that dispense prescription drugs to Medicaid recipients in a health facility provide certain information to the Office of Medicaid Policy and Planning and requires OMPP to use the information to determine ceratin

reimbursement for the drugs dispensed.
(7) Requires the Air Pollution Control Board to establish fees for the Auto Emissions Testing program. The bill authorizes loans from the Wastewater Revolving Loan Fund for certain purposes related to cleanup of brownfields.
(8) Provides for the use of money from the Pension Stabilization Fund to pay pension liabilities of the state Teachers' Retirement Fund.
(9) Merges the Indiana Professional Licensing Agency and the Health Professions Bureau.
(10) Provides that university trustees must publish fee increases by December 31 of each year.
(11) Specifies the date when money payable as the result of an insurance company demutualization is considered abandoned for purposes of the Unclaimed Property Law.
(12) Authorizes bonding for certain projects.
(13) Provides that the limitations on the use of Tobacco Master Settlement Agreement Funds in IC 4-12-1-14.3 do not apply to appropriations made in this Act.
(14) Requires the transfer of certain amounts from the Abandoned Property Fund to the state General Fund.
(15) Requires the transfer of money from the Public Depository Insurance Fund (PDIF) and other funds to the state General Fund. The bill also requires the repayment of the money transferred from PDIF under certain conditions.
(16) Credits certain money received from the federal government to the Unemployment Insurance Benefit Fund.
(17) Provides that the State Budget Agency is responsible for oversight of certain state personnel functions.
(18) Provides that advances made by the State Board of Finance from the Abandoned Property Fund to charter schools is forgiven.
(19) This bill also repeals: (a) the statute that establishes the Health Professions Bureau; (b) a noncode provision concerning a Medicaid waiver for persons with autism that makes an appropriation; and (c) a provision concerning charter schools that is replaced by the school funding formula in this bill.
(20) The bill also makes other changes.

Effective Date: (Amended) January 1, 2002 (Retroactive); July 1, 2002 (Retroactive); January 1, 2003 (Retroactive); Upon Passage; July 1, 2003.

Explanation of State Expenditures: (Revised) ***Biennial Budget*** **-** This bill establishes the state budget appropriations for FY 2004 and FY 2005. Total General Fund and Property Tax Replacement Fund appropriations are $11,039.3 M for FY 2004 (a 5.2% increase over FY 2003) and $11,264.1 M for FY 2005 (a 2.0% increase over FY 2004).

Of this amount, total operating appropriations are $10,839.9 M for FY 2004 (a 5.4% increase over FY 2003) and $11,064.7 M for FY 2005 (a 2.1% increase over FY 2004). Appropriations for capital projects represent $398.8 M for the biennium.

Appropriations from the General Fund and the Property Tax Replacement Fund are provided by functional category in the following table.

General Fund and Property Tax Replacement Fund: FY 2004-FY 2005.			
Functional Category	**FY 2004**	**FY 2005**	**% Change**
General Government	316,573,928	320,532,637	1.3%
Corrections	590,610,500	592,763,141	0.4%
Other Public Safety	105,252,052	105,252,625	0.0%
Conservation and Environment	74,962,113	70,384,804	-6.1%
Economic Development	43,891,958	43,891,958	0.0%
Transportation	465,000	465,000	0.0%
Mental Health	240,696,230	240,696,230	0.0%
Public Health	68,594,547	68,814,715	0.3%
Medicaid	1,266,419,812	1,266,419,812	0.0%
Family and Children	229,046,215	229,046,215	0.0%
Social Services and Veterans	227,767,947	227,767,947	0.0%
Higher Education	1,448,053,310	1,498,151,223	3.5%
Education Administration	56,745,362	56,745,362	0.0%
Tuition Support - Gen. Fund	2,040,955,447	2,056,217,947	0.7%
Tuition Support - PTR Funds	1,591,844,553	1,606,832,053	0.9%
Social Security - Teachers	2,403,792	2,403,792	0.0%
Teachers Retirement	305,529,000	346,832,000	13.5%
Other Local Schools	254,251,948	254,483,659	0.1%
Other Education	11,668,403	11,668,403	0.0%
PTR and Homestead Credits	1,928,549,699	2,029,734,638	5.2%
Distributions - Gen. Fund	35,585,733	35,585,733	0.0%
Subtotal - Operating	10,839,867,549	11,064,689,894	2.1%
Higher Education Construction	16,484,105	16,484,105	
Other Construction	182,938,250	182,938,250	
Subtotal - Capital Projects	199,422,355	199,422,355	
Grand Total	11,039,289,904	11,264,112,249	2.0%

* Appropriations "for the biennium" are apportioned 50% for each fiscal year.
** The appropriations in this table represent only those appropriations provided in HEA 1001-2003.

Appropriations from dedicated and federal funds for the biennium are presented in the following table.

Dedicated and Federal Appropriations: FY 2004-FY 2005.			
Functional Category	**FY 2004**	**FY 2005**	**% Change**
BIF & Lottery/Gaming Surplus	4,816,014	4,816,014	0.0%
Other Dedicated - Operating	1,346,268,030	1,352,957,983	0.5%
Other Dedicated - Construction	28,108,089	28,108,089	0.0%
Tobacco Settlement	124,684,366	127,384,366	2.2%
Federal Funds	662,225,994	668,893,994	1.0%
Total Dedicated	2,166,102,493	2,182,160,446	0.7%

Bonding Authority: The bill authorizes universities to issue the following bonds.

Institution	Project	Authority
I U P U I - Indianapolis	Research Institute Building III	$33,333,333
I U P U I - Indianapolis	Campus Center (not eligible for fee replacement)	40,000,000
P U- West Lafayette Campus	Millennium Engineering Building	36,000,000
P U - Calumet Campus	Parking Garage No. 1 (not eligible for fee replacement)	11,500,000
I S U	University Hall Renovation and Business School A&E	2,240,000
B S U	Communication Building A&E	1,470,000
U S I	Renovation of University Center (not eligible for fee replacement)	9,750,000
U S I	Library	29,084,830
Ivy Tech	Richmond Building Addition Phase II	8,780,000
Ivy Tech	Indianapolis/Lawrence Roosevelt Building	10,000,000
Ivy Tech	Evansville Phase II	18,158,000
Ivy Tech	Madison A&E	826,000
Total		$201,142,163

The annual fee replacement payments on the eligible bonds over 20 years at an interest rate of 5% would be about $14.4 M when all the bonds are issued.

School Funding and Education Provisions: The bill has a deficiency appropriation for FY 2003 of $11.4 M and increases the CY 2003 tuition support cap to $3,561 M.

The tuition support formula provides for a 1.6% increase in funding to local schools for CY 2004 and 1.6% for CY 2005. The following table shows the approximate distribution under the formula.

	CY 2003	CY 2004	% Inc.	CY 2005	% Inc.
State	3,561,000,000	3,647,100,000	2.4%	3,679,000,000	0.9%
Property Taxes	1,775,600,000	1,835,200,000	3.4%	1,895,300,000	3.3%
Transfer	57,500,000				
Prior Year Excise	215,700,000	216,300,000	0.3%	216,900,000	0.3%
Total	5,609,800,000	5,698,600,000	1.6%	5,791,200,000	1.6%

The formula changes the complexity index calculations. Schools are provided additional funding depending on the percentage of students that:

- received free lunch in 2003,
- qualified for the limited English proficiency program in 2003,
- below the poverty level in the 1990 census,
- from a single parent family in the 1990 census, or
- had a parent with less than a high school education.

To transition schools to the foundation of $4,500 times the complexity index, the increase in the regular program funding per student is limited to a 2% increase or decrease in dollars per student for CY 2004 and CY 2005.

The grant variables for the school formula categorical calculations (special education, vocational education, primetime, and honors) remain the same for CY 2004 and CY 2005 as were established for CY 2003.

The bill also provides that funding for university laboratory schools will be funded like charter schools in the school formula.

The bill treats charter schools like other school corporations in the school formula calculations or in applying for state or federal grants. The charter school students would be counted in the ADM of the charter school and not the ADM of the school corporation where the student resides. The bill provides an adjustment in a school corporation’s pervious years’ revenue for a school corporation that starts a conversion charter school.

Under the bill, charter schools could borrow from the Common School Fund to finance the first six months of operation. The loans can be repaid over a term of 20 years. The state and local funding for charter schools begin with the second six months or the next calendar year. For conversion charter schools, the sponsoring school corporation must provide some funding for the first six months of operation.

The bill provides that the state forgive loans from the Abandoned Property Fund that the State Board of Finance made to charter schools. The amount of the loans are about $1.4 M.

The bill also provides that funding for university laboratory schools will be funded like charter schools in the school formula.

Riverboat Admission Tax Guarantee: The reduction in the Riverboat Admission Tax guarantee to local units could potentially result in a savings to the Property Tax Replacement Fund (PTRF) estimated to total approximately $17.1 M in FY 2004 and $16.5 M in FY 2005.

The bill temporarily reduces the state's guarantee of Riverboat Admission Tax revenue distributed in a fiscal year to riverboat cities, counties, and county convention bureaus. For these entities the bill reduces the distribution guarantee during FY 2004 and FY 2005 from 100% of the FY 2002 distribution level to roughly 75% of that distribution level. This guarantee would return to 100% beginning in FY 2006. The bill does not change the guarantee of Admission Tax and replacement revenue to the Indiana Horse Racing Commission (IHRC), the state Division of Mental Health, or the State Fair Commission. Admission Tax replacement is funded from Riverboat Wagering Tax revenue distributed to the Property Tax Replacement Fund (PTRF). Thus, the reduction in the Admission Tax guarantee results in a savings to the PTRF. P.L. 192-2002(ss) capped all future Riverboat Admission Tax distributions at the FY 2002 distribution levels. Also, under P.L. 192-2002(ss), the basis for calculating the Admission Tax was changed to a turnstile-only basis when a riverboat implements flexible scheduling. Since this change effectively reduces the Admission Tax base by about half, Admission Tax collections have declined as riverboats began flexible boarding. As a result, P.L. 192-2002(ss) also guaranteed the FY 2002 Admission Tax distribution level to local units and state agencies receiving revenue from the tax. The aggregate fiscal year guarantee level to cities, counties, and county convention bureaus totals approximately $87.9 M.

Riverboat Wagering Tax Transfer to BIF: Beginning in FY 2004, the bill increases the effective limit on transfers of Lottery and gaming revenues to the Build Indiana Fund (BIF) from $250 M to $285 M. This change is estimated to increase the annual transfer of Riverboat Wagering Tax revenue by $35.0 M from the Property Tax Replacement Fund (PTRF) to the BIF beginning in FY 2004. This is expected to increase the amount available for state and local capital projects by $35.0 M annually in FY 2004 and FY 2005 (an increase from $13.8 M to $48.8 M each year).

<u>Background on the Build Indiana Fund (BIF): Resources Available to BIF</u> - The Build Indiana Fund (BIF) receives funds from two sources: (1) surplus Lottery revenue and (2) revenues from gaming taxes and pari-mutuel taxes. Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to BIF.

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. Beginning in FY 2003, the total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at $250 M. (This is because current statute limits the annual distribution of Riverboat Wagering Tax revenue at an amount equal to $250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year.)

<u>Distributions from BIF</u> - Under current statute, $236.2 M annually must be transferred from BIF to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. Money remaining in BIF after the MVETRA transfer is available for state and local capital projects. However, the 2001-2003 Biennial Budget (P.L. 291-2001) requires transfers of $200 M in FY 2002 and $175 M in FY 2003 from BIF to the Property Tax Replacement Fund (PTRF). In addition, the State Board of Finance (on April 8, 2002) approved an additional transfer of $247.3 M from BIF to the state General Fund during FY 2002. As a result, appropriations for capital projects during the current biennium totaling $242.5 M are suspended, and the balance in BIF has declined from $347.3 M on July 1, 2001, to $16.0 M on June 30, 2002. The $175.0 M transfer from BIF to PTRF for FY 2003 was made by the State Budget Agency on August 13, 2002. Consequently, the remaining resources in BIF during FY 2003 are expected to fund only $92.0 M of the required $236.2 M MVETRA transfer. As required under current statute, the $144.2 M shortage will be paid

from the state General Fund. Ultimately, this is expected to leave no money in BIF to fund state and local capital projects during FY 2003. The amount available for state and local capital projects is estimated to total about $13.8 M each year in FY 2004 and FY 2005. The table below contains actual and projected BIF revenue and spending totals for FY 2001 to FY 2005.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*

Revenues & Distributions	**FY 2001 (Actual)**	**FY 2002 (Actual)**	**FY 2003 (Projected)**	**FY 2004 (Projected)**	**FY 2005 (Projected)**
Beginning Balance in BIF	$324.2	$347.3	$16.0	$0.0	$0.0
Surplus Lottery Revenue in Adm. Trust Fund	$160.0	$166.1	$166.1	$166.1	$166.1
TRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)	($30.0)
PRF Transfer	($30.0)	($30.0)	($30.0)	($30.0)	($30.0)
Surplus Lottery Revenue to BIF	$100.0	$106.1	$106.1	$106.1	$106.1
Surplus Gaming Revenue to BIF	$268.2	$292.5	$143.9	$143.9	$143.9
Interest	$26.9	$13.7	$1.0	$0	$0
Total Resources in BIF	$719.3	$759.6	$267.0	$285.0	$285.0
MVETRA Transfer**	($234.7)	($236.2)	($92.0)	($236.2)	($236.2)
PTRF Transfer^	$0	($200.0)	($175.0)	$0	$0
GF Transfer^^	$0	($247.3)	$0	$0	$0
Amount Available for State & Local Capital Projects*^	$484.6	$76.1	$0	$48.8	$48.8
Amount Allotted to State & Local Capital Projects*^	$137.3	$60.1			

*Updated 10/18/02.
**The required transfer from BIF to MVETRA in FY 2003 is $236.2 M. The $144.2 M shortage is to be paid from the state General Fund.
^Transfers required under 2001-2003 Biennial Budget (P.L. 291-2001).
^^Transfer approved by the State Board of Finance on April 8, 2002.
*^Actual totals in FY 2001 and FY 2002.

Unemployment Insurance Benefit Fund: The bill credits the Unemployment Insurance Benefit Fund with $175 M made available to Indiana under Title II of the federal Jobs Creation and Worker Assistance Act of 2002.

Budget Agency Oversight of State Personnel Department: The bill also provides that the state Budget Agency is to be responsible for oversight of specified functions of the state Personnel Department. The bill provides that the Budget Agency may employ additional staff to carry out this provision. Any additional personnel expenditures for this function are dependent upon administrative action.

Medicaid Provisions: The bill would allow the Office of Medicaid Policy and Planning (OMPP) to apply for a waiver to implement mandatory risk-based managed care in any county where the Office determines it would be feasible and cost effective. There is no fiscal estimate for this provision although the net fiscal impact should result in some undetermined level of savings to the state.

The bill also provides that 3% of the federal reimbursement for Medicaid paid claims that are submitted by school corporations are to be distributed to the General Fund for program administration. The remainder of the federal reimbursement is to be distributed to the school corporation that billed the claim. Currently, school corporations are classified as qualified Medicaid providers to allow the billing of medically necessary services that the corporations provide to students - generally at 100% school funding. Services such as speech therapy may qualify for reimbursement if the student is Medicaid eligible. Medicaid is funded with 38% state funds and 62% federal funds. Under this program currently, the school may bill for services, and the state retains the 38% state share to pay for the service and returns the 62% federal share to the school corporation. This provision would require that 3% of the federal share be returned to the state General Fund to provide funding for the administration of the program. Currently, few corporations take advantage of this program; the FY 2002 total paid claims were $3.6 M. Under the provisions of this bill and current participation levels, $66,960 would be returned to the General Fund for program administration.

The bill also requires that licensed pharmacies that dispense prescription drugs to Medicaid recipients that reside in a health facility, are required to report to the Office all rebates, discounts, and other price concessions that the pharmacy receives from a pharmaceutical manufacturer or wholesaler for prescription drugs dispensed to Medicaid recipients. The fiscal impact of this provision is unknown at this time, although some level of savings to the state is assumed.

The bill also repeals SECTION 2 of P.L. 208-2001. This provision, with an effective date of July 1, 2003, requires OMPP to increase the number of home- and community-based waiver slots in the Autism by 100 slots in FY 2004 and by 200 slots for FY 2005, over and above the existing 400 slots currently authorized and funded under the waiver. This section of P.L. 208-2001 also appropriated unspecified amounts from the state General Fund sufficient to fund the new slots. The state share of the cost of this waiver expansion was previously estimated to range from $1.4 M to $1.7 M for FY 2004 and from $2.8 M to $3.4 M for FY 2005 from the state General Fund. Repeal of this section will result in an expenditure saving to the General Fund.

CHOICE and Medicaid Provisions: The bill requires the Division of Disability, Aging, and Rehabilitative Services (DDARS) to establish statewide rates for reimbursement of the 10 most utilized services provided by the CHOICE program. Currently, the Area Agencies on Aging (AAA) establish rates for each separate service area. The bill further specifies that a provider who provides services for the CHOICE Program must provide services to state Medicaid waiver recipients. This provision may be implemented within the level of resources available to the CHOICE program; it requires standardization of the most used CHOICE rates.

Wastewater Revolving Loan Program: The bill provides that money in the Wastewater Revolving Loan Program may be used under certain conditions to provide loans or other financial assistance to political subdivisions for abatement of polluted runoff, control of storm water runoff, correction of groundwater contamination, and remediation of petroleum contamination. Specifically, the following projects are permitted: excavation and disposal of underground storage tanks; development of constructed wetlands; capping of wells; excavation, removal, and disposal of contaminated soil or sediment; demolition of tunnels; abandonment of wells; Phase I, Phase II, or Phase III environmental site assessments under the standards of the American Society for Testing and Materials; and any other project designed to carry out the purposes listed above. The combined amount of outstanding loans for these purposes at any time may not exceed $20 M. The terms and conditions of a loan or other financial assistance may be different from the terms and conditions of a loan or other financial assistance for other permitted purposes.

For FY 2003, the wastewater project priority list contained 56 projects for loans amounting to $464 M. As of November 2002, capacity (or funds available for future need) for wastewater projects was approximately $300 M. The fund consisted of federal dollars that the state is able to leverage--$2 for every $1 received from the federal Environmental Protection Agency for qualifying wastewater projects. Expanding the types of projects eligible for wastewater loans could affect the distribution of revenues. The impact is indeterminable.

Intermittent Employees: The bill removes Public Employees' Retirement Fund (PERF) benefits from intermittent employees. Based on a five-year average number of intermittent employees (2,875), this provision is estimated to save approximately $475,000 for each year of the biennium.

Teachers' Retirement Fund: For the Teachers' Retirement Fund (TRF), the proposal transfers $190 M each year of the biennium from the Pension Stabilization Fund (PSF) to the Teachers' Retirement Fund to help pay retirement benefits. This bill appropriates from the state General Fund $266.3 M in FY 2004 and $310.3 M in FY 2005 for retirement benefits. The total amount appropriated for retirement benefits with the transfer from TRF is $456.3 M in FY 2004 and $500.3 M in FY 2005. The bill also makes a correction to the reference of the state fiscal year in which the Pension Stabilization Fund may be spent to reflect the fact that the money can be spent beginning in state FY 2006.

Fund Transfers: The proposal requires the Budget Agency to transfer the following amounts from the specified funds to the state General Fund in the years listed.

Fund	FY 2004	FY 2005	Total
Public Deposit Insurance Fund	$50,000,000		$50,000,000
Industrial Industries Fund	$2,000,000	$2,400,000	$4,400,000
Administrative Services Fund		$2,500,000	$2,500,000
Total	$52,000,000	$4,900,000	$56,900,000

The transfer required from the Public Deposit Insurance Fund is an interest-free loan to the state General Fund. If, prior to January 1, 2013, the Governor, on the advice of the Budget Agency, makes a determination that the state General Fund has a balance sufficient to repay the loan, the Budget Agency shall establish a repayment plan under which the loan is repaid either in one installment or in a number of installments determined by the Budget Agency. Money sufficient to make the installments under a repayment plan is appropriated from the state General Fund.

If the Governor, on the advice of the Budget Agency, has not made a determination prior to January 1, 2013, to repay the interest-free loan to the Public Deposit Insurance Fund, the Budget Agency shall include a request for funds to repay the loan in the Budget Agency budget request submitted to the 2013 session of the General Assembly.

Health Professions Bureau/Professional Licensing Agency: The bill also combines the Health Professions Bureau and the Professional Licensing Agency. Administrative savings may be generated by eliminating personnel positions that become redundant as job duties are combined. The fiscal impact of this provision is dependent on administrative action.

Tobacco Provisions: The bill makes the following appropriations from the Tobacco Master Settlement Agreement Fund.

	FY 2004	FY 2005
Estimated Tobacco Revenue	127,600,000	129,300,000
Appropriation Line Items		
Prescription Drug Program	8,000,000	8,000,000
Children's Health Insurance Program (CHIP)	23,800,000	26,500,000
Developmentally Disabled Client Services	23,550,000	23,550,000
State Department of Health	28,548,887	28,548,887
Cancer Registry	237,224	237,224
Minority Health Initiative	2,092,500	2,092,500
Sickle Cell	232,500	232,500
Aid to Tuberculosis Hospitals	107,397	107,397
AIDS Education	674,802	674,802
HIV/AIDS Services	2,325,004	2,325,004
Test for Drug Afflicted Babies	62,496	62,496
State Chronic Diseases	536,516	536,516
Women Infants & Children Supplement	176,700	176,700
Maternal & Child Health Supplement	176,700	176,700
Cancer Education & Diagnosis - Breast Cancer	93,000	93,000
Community Health Centers	15,000,000	15,000,000
Local Health Maintenance	3,800,000	3,800,000
Local Health Department Account	3,000,000	3,000,000
Tobacco Use Prevention & Cessation Program	10,820,640	10,820,640
Regional Health Care Construction Account	1,450,000	1,450,000
Total Appropriations	124,684,366	127,384,366

The bill waives the current statutory provision that requires only 60% of the annual revenue from the Tobacco Master Settlement Agreement Fund may be used for appropriations while setting aside the remainder for trust purposes. The bill allows any appropriations made in the bill to be paid from any money in the fund, including interest that has accrued from investments.

Attorney General's Office: It is presumed that the Unclaimed Property Division of the Office of the Attorney General could absorb any costs associated with changes to the Unclaimed Property Law regarding demutualized insurance companies.

Explanation of State Revenues: (Revised) *Acceleration of Wagering Tax Distributions:* The bill accelerates by approximately one month the distribution schedule for Riverboat Wagering Tax distributions to the Property Tax Replacement Fund (PTRF) beginning in FY 2004. This is estimated to increase total Wagering Tax revenue to the PTRF in FY 2004 by approximately $67.6 M; and in FY 2005 by approximately $5.1 M.

The bill requires that the transfer of Riverboat Wagering Tax revenue from the State Gaming Fund to the PTRF be made no later than the last business day of the month in which the tax revenue is remitted by the riverboats. However, revenue received on the last business day of the month may be transferred to the PTRF in the next month. The acceleration of the distribution schedule begins in FY 2004. Generally, Wagering Tax revenue is deposited in the PTRF in the month following the month in which the revenue is remitted by the riverboats. Thus, June 2004 Wagering Tax collections that would otherwise be distributed to the PTRF in July 2004 (FY 2005) would, under the bill, be distributed to the PTRF in June 2004 (FY 2004). The estimated impact of this change is based on the Revenue Technical Committee Forecast (December 18, 2002) for the Riverboat Wagering Tax.

Local Revenue Sharing: The bill requires the FY 2003 set-aside of Wagering Tax revenue for local revenue sharing to be deposited in the state General Fund before July 1, 2003. This would increase revenue to the state General Fund by $33.0 M in FY 2003.

P.L. 192-2002(ss) earmarks the first $33.0 M in Riverboat Wagering Tax collections during a fiscal year for revenue sharing among non-riverboat counties and the cities and towns located in these counties. The money set aside for revenue sharing at the beginning of a fiscal year must be distributed before August 15th of the next succeeding fiscal year. Thus, the first $33.0 M revenue sharing set-aside occurred in July and August of 2002. This money has not yet been distributed, but, under current law, must be distributed by August 15, 2003.

Auto Emissions Testing Program: The Air Pollution Control Board must establish fees to be paid by persons in certain counties having their motor vehicles tested after December 31, 2003. Fees must be set in an amount sufficient to cover the costs of administering the Auto Emissions Testing Program. Fees collected must be deposited in the Auto Emissions Testing Fund. The fund must be administered by the Department of Environmental Management (IDEM). Expenses of administering the fund must be paid from money in the fund.

During the 2-year period from 2001-2002, IDEM conducted initial tests of 419,599 vehicles. The cost of the program was $15,931,203 for the biennium. Given these figures, the cost per vehicle per initial test equaled $37.97. Applying this figure, a fee of $38 would be needed per vehicle every two years to cover expenses. If the $38 fee were applied, the fee would generate approximately $4 M for FY 2004 and approximately $8 M for FY 2005, FY 2006, and annually thereafter.

The Treasurer of State must invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Money in the fund at the end of a state fiscal year does not revert to the State General Fund.

Abandoned Property Fund: On June 30 of 2003, 2004, and 2005, the bill requires the State Treasurer to transfer the balance of the Abandoned Property Fund, after certain deductions, to the state General Fund. The bills also requires the Treasurer of State to restore any funds transferred from the Abandoned Property Fund to the Common School Fund after June 30, 2002, back to the Abandoned Property Fund. The bill provides that the Abandoned Property Fund must retain a balance of $500,000. The transfer to the General Fund also recognizes appropriations provided for in other sections of the Fund for the Attorney General's personnel services and other operating costs associated with the unclaimed property program. Under current law, the Treasurer of State would transfer the balance of the Fund, less deductions, to the Common School Fund. As a point of reference, in FY 2002, $30.0 M was transferred from the Abandoned Property Fund to the Common School Fund. The balance of the Abandoned Property Fund at the close of FY 2002 was $46.9 M. Interest accrued on property in the Abandoned Property Fund is deposited in the state General Fund.

This bill also clarifies and establishes when the proceeds due to shareholders as a result of the demutualization of a mutual insurance company are presumed abandoned and reportable to the state. Under current law, unclaimed shareholder proceeds from the restructuring of a mutual insurance firm are reportable to the state as unclaimed property five years after the restructuring event. This bill changes the law so that unclaimed shareholder proceeds may be presumed abandoned and reportable to the state five years after the insurer's last contact with the policyholder or five years after the mutual insurance company restructuring. Based on a study prepared for the Treasurer's Office, this change is expected to increase funds deposited in the Abandoned Property Fund (and potentially the state General Fund from FY 2003 to FY 2005) by approximately $30 M to $40 M.

Explanation of Local Expenditures: (Revised) *School Funding and Education Provisions:* The bill allows schools to pay a portion of their utilities and property or casualty insurance from their capital projects fund. For most schools the expenditures from the capital project fund would be limited to the actual cost of the utilities or insurance or 1% of their CY 2003 school formula revenue. Schools that have decrease in school formula revenue of 2% or more could spend up to and additional 1% of their 2003 school formula revenue from the capital projects fund for utilities and property or casualty insurance.

Explanation of Local Revenues: (Revised) *Riverboat Admission Tax Guarantee:* The reduction in the Riverboat Admission Tax guarantee is estimated to reduce revenue distributed to riverboat cities, counties, and county convention bureaus from Admission Tax collections and replacement funds in the Property Tax Replacement Fund (PTRF). (See *Explanation of State Expenditures* for discussion of the Admission Tax guarantee provision.) The bill is estimated to reduce total Admission Tax distributions to these local units by approximately $17.1 M in FY 2004 and approximately $16.5 M in FY 2005. This revenue loss would occur only in FY 2004 and FY 2005, as the guarantee reduction for local units is eliminated in FY 2006.

Local Revenue Sharing: Under the bill, non-riverboat counties, and cities and towns located in these counties, would not receive revenue sharing distributions from the Riverboat Wagering Tax for FY 2003 totaling $33.0 M.

Local Revenue Sharing to Indianapolis and Marion County: The bill would reduce the revenue sharing distribution to the City of Indianapolis by approximately $2.47 M annually, and would increase the distribution to Marion County by this amount. Under the current distribution formula for the local revenue sharing program, Marion County does not receive a distribution, as there is no population residing in Marion County outside a city or town. The annual revenue sharing distribution (based on Census 2000) to Indianapolis is expected to total about $4.94 M annually. The bill would distribute half of this amount to Marion County.

School Funding and Education Provisions: The bill provides for an increase in general fund property tax levies for CY 2004 from 0%-5.6% depending on the growth in the school corporation's assessed valuation between CY 2002 and CY 2003. The CY 2005 levies are based on the regular school formula dollars per student the school has for CY 2005. The maximum increase in the CY 2005 rate is 2.1 cents and the maximum decrease is 2 cents. Schools also have an adjustment in their general fund property tax levy for the local share of the school formula for charter school students residing in the corporation.

State Wastewater Revolving Loan Fund: Expanding the types of projects that may qualify for loans or other financial assistance from the state Wastewater Revolving Loan Fund could affect the distribution of financial assistance to local units. The impact is indeterminable.

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Available from Legislative Services Agency.

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